



**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

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SEPTEMBER 30, 2023 AND 2022

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## Independent Auditor's Report

Board of Trustees  
Manhattan Institute for Policy Research, Inc.  
New York, New York

### *Opinion*

We have audited the accompanying financial statements of Manhattan Institute for Policy Research, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Manhattan Institute for Policy Research, Inc., as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Manhattan Institute for Policy Research, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Prior Period Financial Statements*

The financial statements of Manhattan Institute for Policy Research, Inc. as of September 30, 2022, were audited by other auditors whose report expressed an unmodified opinion on those statements.

### *Emphasis of Matter*

As discussed in Note 3 of the financial statements, Manhattan Institute for Policy Research, Inc., adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Manhattan Institute for Policy Research, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Manhattan Institute for Policy Research, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Manhattan Institute for Policy Research, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
April 29, 2024

Certified Public Accountants

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2023 AND 2022**

|   | 2023                 | 2022                 |
|---|----------------------|----------------------|
| <b>Assets</b>                           |                      |                      |
| Cash and Cash Equivalents               | \$ 11,939,888        | \$ 10,725,929        |
| Investment Securities                   | 14,765,901           | 13,267,055           |
| Unconditional Promises to Give          | 3,912,411            | 605,585              |
| Prepaid Expenses and Other Assets       | 304,868              | 195,811              |
| Property and Equipment, Net             | 500,267              | 599,269              |
| Security Deposits                       | 249,008              | 249,008              |
| Right-of-Use Operating Lease Asset      | 8,963,627            | -                    |
| <b>Total Assets</b>                     | <b>\$ 40,635,970</b> | <b>\$ 25,642,657</b> |
| <b>Liabilities and Net Assets</b>       |                      |                      |
| <b>Liabilities</b>                      |                      |                      |
| Accounts Payable                        | \$ 212,601           | \$ 274,892           |
| Accrued Salaries and Payroll Taxes      | 230,289              | 204,456              |
| Deferred Subscription Income            | 91,212               | 94,668               |
| Deferred Rent                           | -                    | 383,885              |
| Right-of-Use Operating Lease Liability  | 9,520,053            | -                    |
| Right-of-Use Finance Lease Liability    | 20,053               | -                    |
| Total Liabilities                       | 10,074,208           | 957,901              |
| <b>Net Assets</b>                       |                      |                      |
| Without Donor Restrictions              | 25,602,530           | 23,633,983           |
| With Donor Restrictions                 | 4,959,232            | 1,050,773            |
| Total Net Assets                        | 30,561,762           | 24,684,756           |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 40,635,970</b> | <b>\$ 25,642,657</b> |

*See accompanying Notes to Financial Statements.*

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

|  | 2023                          |                            |                      | 2022                          |                            |                      |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| <b>Operating Revenue and Other Support</b>   |                               |                            |                      |                               |                            |                      |
| Contributions  | \$ 10,520,709                 | \$ 12,607,584              | \$ 23,128,293        | \$ 9,797,063                  | \$ 7,660,168               | \$ 17,457,231        |
| Special Event Revenue  | 3,468,178                     | -                          | 3,468,178            | 2,985,513                     | -                          | 2,985,513            |
| (Net of Costs of Donor Benefits of \$346,430 and \$359,876<br>for the Years Ended September 30, 2023 and 2022, Respectively) |                               |                            |                      |                               |                            |                      |
| Subscription Income, Publication Sales, Royalties, and Other   | 113,454                       | -                          | 113,454              | 20,727                        | -                          | 20,727               |
| Investment Income  | 207,742                       | -                          | 207,742              | 637                           | -                          | 637                  |
| Realized Gains (Losses) on Sale of Investments   | 6,295                         | -                          | 6,295                | (2,944)                       | -                          | (2,944)              |
| Unrealized Gains on Investments  | 536,021                       | -                          | 536,021              | 359,295                       | -                          | 359,295              |
|  | <u>14,852,399</u>             | <u>12,607,584</u>          | <u>27,459,983</u>    | <u>13,160,291</u>             | <u>7,660,168</u>           | <u>20,820,459</u>    |
| Net Assets Released from Restrictions  | <u>8,699,125</u>              | <u>(8,699,125)</u>         | <u>-</u>             | <u>8,299,895</u>              | <u>(8,299,895)</u>         | <u>-</u>             |
| Total Operating Revenue and Other Support  | <u>23,551,524</u>             | <u>3,908,459</u>           | <u>27,459,983</u>    | <u>21,460,186</u>             | <u>(639,727)</u>           | <u>20,820,459</u>    |
| <b>Operating Expenses</b>  |                               |                            |                      |                               |                            |                      |
| Program Services   |                               |                            |                      |                               |                            |                      |
| Research, Other, and Publications  | 9,380,776                     | -                          | 9,380,776            | 7,803,527                     | -                          | 7,803,527            |
| e21-Economic Policies for the 21st Century   | 1,484,181                     | -                          | 1,484,181            | 692,054                       | -                          | 692,054              |
| City Journal   | 3,954,395                     | -                          | 3,954,395            | 4,191,024                     | -                          | 4,191,024            |
| Conferences and Seminars   | 1,794,782                     | -                          | 1,794,782            | 745,106                       | -                          | 745,106              |
| The Adam Smith Society   | 996,692                       | -                          | 996,692              | 918,230                       | -                          | 918,230              |
| Total Program Services   | <u>17,610,826</u>             | <u>-</u>                   | <u>17,610,826</u>    | <u>14,349,941</u>             | <u>-</u>                   | <u>14,349,941</u>    |
| Supporting Services  |                               |                            |                      |                               |                            |                      |
| Fundraising  | 1,871,831                     | -                          | 1,871,831            | 551,963                       | -                          | 551,963              |
| Other Supporting Services  | 1,035,215                     | -                          | 1,035,215            | 1,028,122                     | -                          | 1,028,122            |
| Management and General   | 1,065,105                     | -                          | 1,065,105            | 1,331,442                     | -                          | 1,331,442            |
| Total Supporting Services  | <u>3,972,151</u>              | <u>-</u>                   | <u>3,972,151</u>     | <u>2,911,527</u>              | <u>-</u>                   | <u>2,911,527</u>     |
| Total Expenses   | <u>21,582,977</u>             | <u>-</u>                   | <u>21,582,977</u>    | <u>17,261,468</u>             | <u>-</u>                   | <u>17,261,468</u>    |
| Change in Net Assets   | 1,968,547                     | 3,908,459                  | 5,877,006            | 4,198,718                     | (639,727)                  | 3,558,991            |
| Net Assets, Beginning of Year  | <u>23,633,983</u>             | <u>1,050,773</u>           | <u>24,684,756</u>    | <u>19,435,265</u>             | <u>1,690,500</u>           | <u>21,125,765</u>    |
| <b>Net Assets, End of Year</b>   | <u>\$ 25,602,530</u>          | <u>\$ 4,959,232</u>        | <u>\$ 30,561,762</u> | <u>\$ 23,633,983</u>          | <u>\$ 1,050,773</u>        | <u>\$ 24,684,756</u> |

*See accompanying Notes to Financial Statements.*

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

|  | Program Services                        |  |                     |                                |                              | Total<br>Program<br>Services | Supporting Services |                                 |                           | Total<br>Supporting<br>Services | Total                |
|--|---|--|---------------------|--------------------------------|------------------------------|------------------------------|---------------------|---------------------------------|---------------------------|---------------------------------|----------------------|
|  | Research,<br>Other, and<br>Publications | e21-Economic<br>Policies for the<br>21st Century | City<br>Journal     | Conferences<br>and<br>Seminars | The Adam<br>Smith<br>Society |                              | Fundraising         | Other<br>Supporting<br>Services | Management<br>and General |                                 |                      |
| Payroll, Payroll Taxes, and Employee Benefits                | \$ 7,253,784                            | \$ 1,111,241                                     | \$ 2,627,117        | \$ 416,890                     | \$ 728,720                   | \$ 12,137,752                | \$ 1,187,240        | \$ 500,244                      | \$ 623,281                | \$ 2,310,765                    | \$ 14,448,517        |
| Operating Lease Expense, Utilities, and Building Maintenance | 354,321                                 | 51,662   | 83,455              | 38,201                         | 43,974                       | 571,613                      | 211,746             | 86,818                          | 111,244                   | 409,808                         | 981,421              |
| Professional Fees  | 551,436                                 | 123,377  | 305,424             | 30,156                         | 51,500                       | 1,061,893                    | 178,811             | 73,313                          | 193,001                   | 445,125                         | 1,507,018            |
| Events, Speakers' Fees, and Internal Meetings                | 72,090                                  | -  | 1,224               | 1,136,730                      | 42,116                       | 1,252,160                    | 2,322               | 3,729                           | (1,183)                   | 4,868                           | 1,257,028            |
| Transportation, Travel, and Business Meals                   | 241,504                                 | 20,952   | 51,462              | 110,265                        | 58,343                       | 482,526                      | 76,216              | 42,301                          | 33,397                    | 151,914                         | 634,440              |
| Equipment  | 153,259                                 | 22,402   | 37,910              | 17,509                         | 21,727                       | 252,807                      | 91,163              | 37,377                          | 46,604                    | 175,144                         | 427,951              |
| Writer's Fees, Proofreaders, and Photography                 | 94,514                                  | 27,200   | 443,292             | 16,000                         | 4,215                        | 585,221                      | 2,220               | 15,113                          | -                         | 17,333                          | 602,554              |
| Prepress and Printing  | 4,941                                   | -  | 291,662             | 2,008                          | 3,948                        | 302,559                      | 40,895              | 12,149                          | 6,438                     | 59,482                          | 362,041              |
| Marketing and Advertising                                    | 274,856                                 | 106,400  | 202                 | -                              | 5,503                        | 386,961                      | -                   | 208,763                         | 5,378                     | 214,141                         | 601,102              |
| Research   | 79,564                                  | -  | 3,192               | -                              | -                            | 82,756                       | 1,285               | 23,893                          | 390                       | 25,568                          | 108,324              |
| Office Expenses  | 129,451                                 | 15,706   | 100,989             | 18,096                         | 24,436                       | 288,678                      | 57,975              | 22,492                          | 33,195                    | 113,662                         | 402,340              |
| Other Operating Expenses                                     | 10,113                                  | -  | -                   | 5,304                          | 7,749                        | 23,166                       | 478                 | 216                             | 2,379                     | 3,073                           | 26,239               |
| Depreciation and Amortization                                | 35,943                                  | 5,241  | 8,466               | 3,623                          | 4,461                        | 57,734                       | 21,480              | 8,807                           | 10,981                    | 41,268                          | 99,002               |
| Bad Debt   | 125,000                                 | -  | -                   | -                              | -                            | 125,000                      | -                   | -                               | -                         | -                               | 125,000              |
| <b>Total</b>   | <b>\$ 9,380,776</b>                     | <b>\$ 1,484,181</b>                              | <b>\$ 3,954,395</b> | <b>\$ 1,794,782</b>            | <b>\$ 996,692</b>            | <b>\$ 17,610,826</b>         | <b>\$ 1,871,831</b> | <b>\$ 1,035,215</b>             | <b>\$ 1,065,105</b>       | <b>\$ 3,972,151</b>             | <b>\$ 21,582,977</b> |

See accompanying Notes to Financial Statements.

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

|  | Program Services                        |  |                     |                                |                              | Total<br>Program<br>Services | Supporting Services |                                 |                           | Total<br>Supporting<br>Services | Total                |
|--|---|--|---------------------|--------------------------------|------------------------------|------------------------------|---------------------|---------------------------------|---------------------------|---------------------------------|----------------------|
|  | Research,<br>Other, and<br>Publications | e21-Economic<br>Policies for the<br>21st Century | City<br>Journal     | Conferences<br>and<br>Seminars | The Adam<br>Smith<br>Society |                              | Fundraising         | Other<br>Supporting<br>Services | Management<br>and General |                                 |                      |
| Payroll, Payroll Taxes, and Employee Benefits    | \$ 5,568,909                            | \$ 559,391                                       | \$ 2,916,818        | \$ 186,406                     | \$ 505,111                   | \$ 9,736,635                 | \$ 258,547          | \$ 548,478                      | \$ 640,777                | \$ 1,447,802                    | \$ 11,184,437        |
| Office Rent, Utilities, and Building Maintenance | 351,508                                 | 38,207   | 179,123             | 12,427                         | 33,259                       | 614,524                      | 66,302              | 105,090                         | 164,321                   | 335,713                         | 950,237              |
| Professional Fees                                | 455,340                                 | 33,938   | 196,207             | 9,862                          | 29,267                       | 724,614                      | 50,219              | 93,353                          | 237,283                   | 380,855                         | 1,105,469            |
| Events, Speakers' Fees, and Internal Meetings    | 387,681                                 | 3,768  | 11,787              | 472,125                        | 184,520                      | 1,059,881                    | 4,364               | 8,824                           | 10,814                    | 24,002                          | 1,083,883            |
| Transportation, Travel, and Business Meals       | 162,617                                 | (97)   | 17,375              | 27,552                         | 75,927                       | 283,374                      | 73,969              | 23,676                          | 43,997                    | 141,642                         | 425,016              |
| Equipment  | 68,133                                  | 7,305  | 36,291              | 2,430                          | 6,359                        | 120,518                      | 12,676              | 26,891                          | 31,416                    | 70,983                          | 191,501              |
| Writer's Fees, Proofreaders, and Photography     | 122,526                                 | 873  | 467,551             | 5,064                          | 5,250                        | 601,264                      | 1,515               | 3,647                           | 3,754                     | 8,916                           | 610,180              |
| Prepress and Printing                            | 22,887                                  | 2,364  | 69,182              | 4,032                          | 3,281                        | 101,746                      | 4,102               | 8,700                           | 10,166                    | 22,968                          | 124,714              |
| Marketing and Advertising                        | 231,403                                 | 21,478   | 101,356             | 6,986                          | 18,697                       | 379,920                      | 37,272              | 127,812                         | 92,375                    | 257,459                         | 637,379              |
| Research   | 194,662                                 | 2,869  | 11,959              | 967                            | 1,897                        | 212,354                      | 3,782               | 8,303                           | 9,373                     | 21,458                          | 233,812              |
| Office Expenses                                  | 183,551                                 | 18,165   | 165,426             | 9,826                          | 21,351                       | 398,319                      | 28,126              | 59,385                          | 69,611                    | 157,122                         | 555,441              |
| Other Operating Expenses                         | 19,415                                  | -  | 166                 | 6,195                          | 30,009                       | 55,785                       | 4,507               | -                               | 1,242                     | 5,749                           | 61,534               |
| Depreciation and Amortization                    | 34,895                                  | 3,793  | 17,783              | 1,234                          | 3,302                        | 61,007                       | 6,582               | 13,963                          | 16,313                    | 36,858                          | 97,865               |
| <b>Total</b>                                     | <b>\$ 7,803,527</b>                     | <b>\$ 692,054</b>                                | <b>\$ 4,191,024</b> | <b>\$ 745,106</b>              | <b>\$ 918,230</b>            | <b>\$ 14,349,941</b>         | <b>\$ 551,963</b>   | <b>\$ 1,028,122</b>             | <b>\$ 1,331,442</b>       | <b>\$ 2,911,527</b>             | <b>\$ 17,261,468</b> |

See accompanying Notes to Financial Statements.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

|   | 2023                 | 2022                 |
|---|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>   |                      |                      |
| Change in Net Assets  | \$ 5,877,006         | \$ 3,558,991         |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Provided by Operating Activities |                      |                      |
| Depreciation and Amortization   | 99,002               | 97,865               |
| Realized (Gain) Loss on Investments   | (6,295)              | 2,944                |
| Unrealized Gain on Investments  | (536,021)            | (359,295)            |
| Operating Lease Expense   | 887,218              | -                    |
| Proceeds from Sale of Donated Stock   | 403,782              | 1,165,456            |
| <u>(Increase) Decrease in Assets</u>  |                      |                      |
| Unconditional Promises to Give  | (3,306,826)          | 1,034,915            |
| Prepaid Expenses and Other Assets   | (88,941)             | 358,768              |
| <u>Increase (Decrease) in Liabilities</u>   |                      |                      |
| Accounts Payable  | (62,291)             | (44,304)             |
| Accrued Salaries and Payroll Taxes  | 25,833               | 92,189               |
| Accrued Pension   | -                    | (665,000)            |
| Deferred Subscription Income  | (3,456)              | (8,070)              |
| Deferred Rent   | (383,885)            | 310,392              |
| Operating Lease Liability   | (309,967)            | -                    |
| Net Cash Provided by Operating Activities   | 2,595,159            | 5,544,851            |
| <b>Cash Flows from Investing Activities</b>   |                      |                      |
| Purchases of Investment Securities  | (1,360,312)          | (1,165,456)          |
| Purchases of Property and Equipment   | -                    | (47,618)             |
| Net Cash Used in Investing Activities   | (1,360,312)          | (1,213,074)          |
| <b>Cash Flows from Financing Activities</b>   |                      |                      |
| Principal Payments on Finance Lease Liability   | (20,888)             | -                    |
| Net Increase in Cash and Cash Equivalents   | 1,213,959            | 4,331,777            |
| Cash and Cash Equivalents, Beginning of Year  | 10,725,929           | 6,394,152            |
| <b>Cash and Cash Equivalents, End of Year</b>   | <b>\$ 11,939,888</b> | <b>\$ 10,725,929</b> |
| <b>Noncash Transactions from Investing Activities</b>   |                      |                      |
| Establishment of Right-of-Use Operating Lease Asset   | \$ 9,468,944         | \$ -                 |
| Establishment of Right-of-Use Finance Lease Asset   | 40,876               | -                    |
| Establishment of Operating Lease Liability  | 9,852,829            | -                    |
| Establishment of Finance Lease Liability  | 40,876               | -                    |

*See accompanying Notes to Financial Statements.*

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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**1. NATURE OF OPERATIONS**

Manhattan Institute for Policy Research, Inc. (the Institute), was incorporated as a charitable organization under the provisions of the Not-for-Profit Corporation Law of the State of New York in 1977. Manhattan Institute for Policy Research, Inc., is a community of scholars, journalists, activists, and civic leaders dedicated to advancing opportunity, individual liberty, and the rule of law in America and its great cities.

The Institute adheres to the New York Prudent Management of Institutional Funds Act, and the New York State Non-Profit Revitalization Act of 2013.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting*

The financial statements are prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when obligations are incurred.

*Basis of Presentation*

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

- *Net assets without donor restrictions* represent the portion of expendable funds that are available for support of the general operations of the Institute.
- *Net assets with donor restrictions* are comprised of (1) amounts restricted by donors for various programs or future periods and (2) funds in which the gift is to be held in perpetuity and only the investment earnings may be expended for the purposes designated by the donors.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Institute considers all short-term investments funds that can readily be converted into cash to be cash equivalents.

*Investments*

The Institute's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Investment income is reflected in the statements of activities as increases and decreases in unrestricted net assets unless their use is with donor restrictions. Investment income includes interest and dividends earned on investments. Realized and unrealized gains and losses on investments reported at fair value are reported as a separate line item in the accompanying statements of activities.

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Donated Assets*

Donated stock and other noncash donations are recorded as contributions at their fair values at the dates of donation. Contributions of securities are recorded at the net proceeds received because such securities are usually disposed of upon receipt. For the years ended September 30, 2023 and 2022, donated stock and other noncash donations totaled \$1,346,977 and \$777,060, respectively.

*Promises to Give*

Grants and unconditional contributions that are expected to be collected in the future are recorded as pledges receivable when the promises are made. Unconditional pledge receivables that are expected to be collected within one year are reported at their net realizable value. Unconditional pledge receivables that are expected to be collected beyond one year are reported at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the promises are to be received.

Pledges receivable are recorded at net realizable value. Pledges receivable that are past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against an allowance account. Management adjusts the allowance account annually based upon its estimate of those receivables determined to be uncollectible.

As of September 30, 2023 and 2022, there is no allowance for uncollectible receivables. As of September 30, 2023, the Institute held conditional contributions with unpaid balances of approximately \$7 million. These contributions will be recorded as revenue when the conditions are met.

*Property and Equipment*

Property and equipment purchases are recorded at cost, if purchased, and at fair market value at the date of donation, if contributed and depreciated on a straight-line basis over the estimated useful lives of the respective assets. Major additions and improvements are capitalized if over \$10,000, while replacements, maintenance, and repairs that do not improve or extend the lives of the assets are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is reflected in revenue and support or expenses in the accompanying statements of activities. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated lives of the related assets or the remaining lease term.

*Deferred Revenues*

Subscription revenues collected in advance are deferred and recognized as revenues over the applicable subscription term periods.

*Revenue Recognition*

- Contributions - Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Revenue Recognition (Continued)*

to net assets without donor restrictions and reported in the statements of activities as net assets released from purpose restrictions.

- Special Events - The Institute holds its annual Alexander Hamilton Awards Dinner to honor individuals whose lives personify the ideals of Alexander Hamilton: individual initiative, a principled belief in economic freedom, and equal opportunity for all. Special event revenue is primarily derived from donations and sponsorships related to the awards dinner. Special event revenue is recognized when pledged and/or received.
- Subscription Income and Publications Sales - Proceeds from subscriptions to *City Journal* magazine are recorded as deferred income when received, then recognized as income over the term of the subscription. Sales of books and publications are recognized as income when distributed.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

| <u>Expense</u>   | <u>Method of Allocation</u> |
|--|-----------------------------|
| Payroll, Including Fellowships                         | Time and Effort             |
| Payroll Taxes and Employee Benefits                    | Time and Effort             |
| Office Rent, Utilities, and Building Maintenance       | Time and Effort             |
| Professional Fees - Legal Fees and General Consultants | Time and Effort             |
| Computer Support                                       | Time and Effort             |
| Events, Speakers' Fees, and Internal Meetings          | Time and Effort             |
| Telephone  | Time and Effort             |
| Postage and Mailing                                    | Time and Effort             |
| Equipment  | Time and Effort             |
| Writer's Fees  | Time and Effort             |
| Proofreaders   | Time and Effort             |
| Photography, Illustrations, and Artwork                | Time and Effort             |
| Prepress and Printing                                  | Time and Effort             |
| Marketing and Advertising                              | Time and Effort             |
| Research   | Time and Effort             |
| Office Expenses  | Time and Effort             |
| Depreciation   | Time and Effort             |

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Marketing and Advertising Costs*

The Institute expenses marketing and advertising costs as incurred. During the years ended September 30, 2023 and 2022, marketing and advertising expenses amounted to \$601,102 and \$637,379, respectively.

*Right-of-Use Assets and Lease Liabilities*

The Institute recognizes right-of-use (ROU) assets and lease liabilities in the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease liabilities are initially measured at the present value of minimum lease payments using a risk-free rate that approximates the remaining term of the lease. The right-of-use asset is the lease liability adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Institute's right-of-use assets and lease liabilities. Operating lease expense and finance lease amortization expense is allocated over the remaining lease term on a straight-line basis. Finance lease interest expense is calculated using a risk-free rate that approximates the remaining term of the lease multiplied by the outstanding finance lease liability.

The Institute considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Institute does not separate non-lease components from lease components (if any) when determining the payments for leases of office equipment.

*Reclassifications*

Certain 2022 amounts have been reclassified for comparative purposes.

**3. ADOPTION OF ACCOUNTING STANDARDS UPDATES**

*Accounting Standard Update 2016-02*

During the year ended September 30, 2023, the Institute adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, and all subsequent ASUs that modified ASU 842, which supersedes the leasing guidance in *Topic 840*.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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3. ADOPTION OF ACCOUNTING STANDARDS UPDATES (CONTINUED)

*Accounting Standard Update 2016-02 (Continued)*

This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. Under the new guidance, lessees are required to recognize lease right-of-use (ROU) assets and lease liabilities on the statements of financial position for all leases with terms longer than twelve months. In addition, leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

Management has elected to apply all practical expedients available under the new guidance, which allows the Institute to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases. The Institute also elected to apply the practical expedient to use hindsight in determining the lease term.

Management believes that the adoption of this ASU enhances the transparency and comparability of financial information among nonprofit entities. The change in accounting principle was applied on a modified retrospective basis to existing leases with the cumulative effect of transition recognized at the beginning of the period of adoption. The impact of the adoption resulted in recognition of ROU operating assets and lease liabilities totaling \$9,468,944 and \$9,852,829, respectively, and ROU finance assets and lease liabilities totaling \$40,876 as of October 1, 2022. Existing deferred rent of \$383,885 as of October 1, 2022, is included as a reduction to the initial measurement of the right-of-use asset for the operating lease. In addition, the presentation and disclosure of leasing arrangements has been enhanced.

*Accounting Standard Update 2020-07*

During the year ended September 30, 2023, the Institute adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofits through enhancements to presentation and disclosure. Specifically, the ASU addresses the lack of transparency surrounding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in programs and other activities. Management believes that the adoption of this ASU enhances the transparency of financial information among nonprofit entities. The change in accounting principle was applied on a retrospective basis. The impact of adoption was not material to the financial statements, however, the presentation and disclosure of contributed nonfinancial assets has been enhanced.

*Accounting Pronouncement Not Yet Adopted*

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

**3. ADOPTION OF ACCOUNTING STANDARDS UPDATES (CONTINUED)**

*Accounting Pronouncement Not Yet Adopted (Continued)*

collectability. Assets must be presented in the financial statements at the net amount expected to be collected. Although receivables related to grants and contributions are expressly excluded from the new standard, other assets that fall within the scope of ASU 2016-13 should be evaluated to determine if the measurement of expected credit losses is material. Management has not yet evaluated the impact of adopting the new standard. The new standard is effective for years beginning after December 15, 2022.

**4. LIQUIDITY AND AVAILABILITY OF RESOURCES**

As part of the Institute’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Institute invests cash in excess of routine requirements in short-term investments, and to help manage unanticipated liquidity needs, the Institute could draw on its investments.

The following reflects the Institute’s financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general operating expenditure within one year:

|   | 2023          | 2022          |
|---|---------------|---------------|
| Financial Assets, End of Year   |               |               |
| Cash and Cash Equivalents   | \$ 11,939,888 | \$ 10,725,929 |
| Investment Securities   | 14,765,901    | 13,267,055    |
| Unconditional Promises to Give, Expected to be Collected                                  |               |               |
| Within One Year   | 1,870,000     | 605,585       |
| Less Net Assets With Restrictions   | (4,959,232)   | (1,050,773)   |
| Financial Assets Available to Meet Cash Needs for<br>General Expenditures within One Year | \$ 23,616,557 | \$ 23,547,796 |

**5. INVESTMENTS**

*Fair Value Measurements*

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to assumptions (unobservable inputs). The Institute groups assets at fair value in three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

**Level 1** - inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

**Level 2** - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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5. INVESTMENTS (CONTINUED)

*Fair Value Measurements (Continued)*

*Level 3* - unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of September 30, 2023 and 2022, the Institute's investments were measured at fair value on a recurring basis.

*Methodologies*

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2023 and 2022.

Hedge Funds Methodology

The hedge funds are valued at the net asset value (NAV) of units of the hedge funds. The NAV, as provided by each hedge fund, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Were the Institute to initiate a full redemption of the hedge fund, the investment adviser reserves the right to temporarily delay withdrawal from the hedge fund in order to ensure that securities liquidations will be carried out in an orderly business manner.

Limited Partnerships Methodology

The limited partnership interests are valued at the net asset value (NAV) of units of the limited partnerships. The NAV, as provided by the general partner or trustee, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the limited partnership less its liabilities. This practical expedient is not used when it is determined to be probable that the limited partnership will sell the investment for an amount different than the reported NAV. Were the Institute to initiate a full redemption of the limited partnership interests, the investment adviser reserves the right to temporarily delay withdrawal from the limited partnership in order to ensure that securities liquidations will be carried out in an orderly business manner.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**5. INVESTMENTS (CONTINUED)**

*Methodologies (Continued)*

The following table summarizes the Institute’s investments, which are the only assets held by the Institute measured at fair value on a recurring basis as of September 30, 2023:

|  | Total<br>Fair Value  | Level 1<br>Inputs | Level 2<br>Inputs | Level 3<br>Inputs |
|--|----------------------|-------------------|-------------------|-------------------|
| <u>September 30, 2023</u>                        |                      |                   |                   |                   |
| Investments Measured in the Fair Value Hierarchy | \$ -                 | \$ -              | \$ -              | \$ -              |
| Investments Measured at Net Asset Value (NAV)    |                      |                   |                   |                   |
| Hedge Funds                                      | 11,857,979           | -                 | -                 | -                 |
| Limited Partnerships                             | 2,907,922            | -                 | -                 | -                 |
| <b>Total Investments</b>                         | <b>\$ 14,765,901</b> | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       |

The following table summarizes the Institute’s investments, which are the only assets held by the Institute measured at fair value on a recurring basis as of September 30, 2022:

|  | Total<br>Fair Value  | Level 1<br>Inputs | Level 2<br>Inputs | Level 3<br>Inputs |
|--|----------------------|-------------------|-------------------|-------------------|
| <u>September 30, 2022</u>                        |                      |                   |                   |                   |
| Investments Measured in the Fair Value Hierarchy | \$ -                 | \$ -              | \$ -              | \$ -              |
| Investments Measured at Net Asset Value (NAV)    |                      |                   |                   |                   |
| Hedge Funds                                      | 10,472,704           | -                 | -                 | -                 |
| Limited Partnerships                             | 2,794,351            | -                 | -                 | -                 |
| <b>Total Investments</b>                         | <b>\$ 13,267,055</b> | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ -</b>       |

Certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

*Investment Objectives*

The investment objectives of each of the hedge funds and limited partnerships (LPs) the Institute has invested in are as follows:

Hedge Funds Objective

The Capital Appreciation Fund is a multi-strategy fund with an event-driven focus, seeking to exploit situations in which announced or anticipated events create opportunities to invest in securities and other financial instruments at a discount to their exit values. The fund effects this strategy primarily by investing in: (i) securities and financial instruments of issuers that are (or are perceived to be) experiencing financial distress or are overleveraged, are attempting to complete an out-of-court restructuring, are involved in a bankruptcy or similar proceeding and/or are involved in substantial litigation, (ii) mergers and acquisitions (or “risk”) arbitrage situations where issuers are the subject of proposed changes in corporate structure or control, such as tender or exchange offers, mergers, unsolicited merger proposals, spin-offs, split-offs, liquidations and recapitalizations, and (iii) convertible arbitrage situations that attempt to extract value from the options “embedded” in convertible securities when such options appear mispriced relative to similar stand-alone options or historical volatility levels.

MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

5. INVESTMENTS (CONTINUED)

*Investment Objectives (Continued)*

Hedge Funds Objective (Continued)

The fund also invests in a long/short equities portfolio of securities that can be readily valued and trade at a discount or premium to the fair value of the underlying assets. Investment in the fund is redeemable on the last business day of any calendar quarter without any redemption charge, or on the last day of any other month, subject to a redemption charge equal to 1.5% of the proceeds. Redemption requires 60 days' written notice. There are no unfunded commitments.

The Multi-strategy Hedge Fund seeks to produce returns substantially in excess of those derived from risk-free investments, without a substantial increase in overall risk. The principal strategy of the fund is to identify and exploit inefficiencies in the global financial markets while minimizing exposure to market risk through hedging and other investment strategies that are generally intended not to be market sensitive. Investment in the fund is redeemable annually on March 31 of every year with 60 days' notice provided. The Institute would be subject to a redemption fee if redeeming within 3 years from the date of purchase. There are no unfunded commitments.

Limited Partnerships Objective

Private Investment Fund - trades in a wide range of United States and non-United States equity and debt securities and other financial and investment interests, instruments, and property. Its principal objective is to generate a return which is as high as is consistent with a goal of minimizing losses during adverse financial market periods. Investment in the Private Investment Fund is redeemable on January 1, April 1, July 1, or October 1, with at least 60 days' notice provided, capped at 25% every other quarter. There are no unfunded commitments.

6. UNCONDITIONAL PROMISES TO GIVE

As of September 30, 2023, unconditional promises to give are as follows:

|                                | <u>Promises<br/>to Give</u> |
|--------------------------------|-----------------------------|
| Within One Year                | \$ 1,870,000                |
| One to Five Years              | <u>2,263,000</u>            |
|                                | 4,133,000                   |
| Less Discount to Present Value | <u>(220,589)</u>            |
| Total Pledges Receivable       | <u>\$ 3,912,411</u>         |

The calculated discount for long-term pledges receivable is 5.46%, the one-year Treasury rate as of September 30, 2023.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**6. UNCONDITIONAL PROMISES TO GIVE (CONTINUED)**

As of September 30, 2022, unconditional promises to give are as follows:

|                                | Promises<br>to Give |
|--------------------------------|---------------------|
| Within One Year                | \$ 605,585          |
| One to Five Years              | -                   |
|                                | 605,585             |
| Less Discount to Present Value | -                   |
| Total Pledges Receivable       | \$ 605,585          |

**7. PROPERTY AND EQUIPMENT**

Property and equipment, stated at cost, consist of the following for the years ended September 30, 2023 and 2022:

|  | 2023         | 2022         |
|--|--------------|--------------|
| Furniture, Fixtures, and Equipment             | \$ 1,449,686 | \$ 1,449,686 |
| Leasehold Improvements                         | 516,771      | 516,771      |
|  | 1,966,457    | 1,966,457    |
| Less Accumulated Depreciation and Amortization | (1,466,190)  | (1,367,188)  |
| Total Net Assets With Donor Restrictions       | \$ 500,267   | \$ 599,269   |

**8. RELATED PARTIES**

During the years ended September 30, 2023 and 2022, contributions received by the Institute from members of the Board of Trustees totaled \$9,218,607 and \$8,138,523, respectively. These contributions represent approximately 39% and 46% of total contributions for the years ended September 30, 2023 and 2022, respectively.

At September 30, 2023 and 2022, the Institute's investment in the Private Investment Fund donated to the Institute by a board member in January 2010 with a \$1,000,000 value, had a value of \$2,907,922 and \$2,794,351, respectively.

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions include the unexpended portion of restricted contributions received, commitments from donors for amounts not yet received, and a donor-restricted endowment fund.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**9. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets with donor restrictions as of September 30 consisted of the following:

|  | <b>2023</b>         | <b>2022</b>         |
|--|---------------------|---------------------|
| Research and Publications              | \$ 50,000           | \$ 32,100           |
| Education                              | 463,172             | -                   |
| Center for State and Local Leadership  | 150,000             | 445,585             |
| e21 Economic Policies for 21st Century | 582,178             | 18,760              |
| Center for Legal Policy                | -                   | 456,552             |
| City Journal                           | 525,500             | -                   |
| Center for Medical Progress            | 21,583              | -                   |
| The Adam Smith Society                 | -                   | 97,776              |
| Time Restricted                        | 3,000,000           | -                   |
| Management and General                 | 166,799             | -                   |
|  | <b>\$ 4,959,232</b> | <b>\$ 1,050,773</b> |

Net assets released from restrictions consist of expended restricted contributions for the donor-imposed purposes or receipts on commitments from donors. These net assets were released during the years ended September 30 as follows:

|  | <b>2023</b>         | <b>2022</b>         |
|--|---------------------|---------------------|
| Research and Publications              | \$ 222,100          | \$ 1,967,900        |
| Education                              | 411,828             | 325,000             |
| Center for State and Local Leadership  | 1,170,585           | 1,835,000           |
| e21 Economic Policies for 21st Century | 569,582             | 565,290             |
| Center for Legal Policy                | 466,552             | 403,448             |
| City Journal                           | 650,500             | 924,093             |
| Conferences and Seminars               | 50,000              | 136,238             |
| Center for Medical Progress            | 178,417             | 200,000             |
| Energy Center                          | 200,000             | 475,000             |
| Special Projects                       | -                   | 125,000             |
| The Adam Smith Society                 | 520,276             | 792,926             |
| Policing and Public Safety             | 250,000             | 550,000             |
| Management and General                 | 4,009,285           | -                   |
|  | <b>\$ 8,699,125</b> | <b>\$ 8,299,895</b> |

**10. OPERATING LEASE**

***Operating Lease under Topic 842***

In January 2021, the Institute exercised an extension on an existing non-cancelable office space lease agreement. The lease originally commenced in May 2011, and originally expired in May 2021, but was extended to expire April 30, 2037. The terms of the lease agreement provide for an eight-month rent abatement at the first, second, third, fourth, twenty-fifth, twenty-sixth, thirty-seventh and thirty-eighth month of the lease. ASU 2016-02, *Leases (Topic 842)* was adopted effective October 1, 2022. The calculation of the related right-of-use asset and lease liability, which are presented in the statements of financial position as of September 30, 2023, uses a federal risk-free rate of 3.955%.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**10. OPERATING LEASE (CONTINUED)**

***Operating Lease under Topic 842 (Continued)***

The lease requires a security deposit of \$249,008, which is refundable and therefore not included in the calculation for ASU 2016-02, and is included in the accompanying statements of financial position as of September 30, 2023 and 2022.

Maturity of the operating lease liability as of September 30, 2023, is as follows:

For the Years Ending September 30,

|   |                            |
|---|----------------------------|
| 2024                                      | \$ 656,169                 |
| 2025                                      | 735,585                    |
| 2026                                      | 819,483                    |
| 2027                                      | 867,832                    |
| 2028                                      | 883,019                    |
| Thereafter                                | <u>8,573,663</u>           |
| Total Undiscounted Minimum Lease Payments | 12,535,751                 |
| Less Discount to Present Value            | <u>(3,015,698)</u>         |
| Total Operating Lease Liability           | <u><u>\$ 9,520,053</u></u> |

Operating leases supplementary qualitative information is as follows:

Supplementary Qualitative Operating Lease Information

|  |             |
|--|-------------|
| Cash Paid for Amounts Included in the Measurement<br>of Operating Lease Liabilities - Operating Cash Flows | \$ 709,371  |
| Right-of-Use Assets Obtained in Exchange for Lease Obligations   | 9,852,829   |
| Weighted-Average Remaining Lease Term  | 13.58 Years |
| Weighted-Average Discount Rate   | 3.955%      |

Total operating lease expense for the year ended September 30, 2023, was \$887,218.

***Operating Lease under Topic 840***

Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments, as well as any unamortized lease incentives, is reflected as deferred rent and lease incentive in the accompanying statements of financial position as of September 30, 2022.

**MANHATTAN INSTITUTE FOR POLICY RESEARCH, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

**10. OPERATING LEASE (CONTINUED)**

***Operating Lease under Topic 840 (Continued)***

As previously disclosed in the 2022 audited financial statements and under the previous lease accounting, future minimum lease payments as of September 30, 2022, were as follows:

For the Years Ending December 31,

|            |               |
|------------|---------------|
| 2023       | \$ 709,371    |
| 2024       | 656,168       |
| 2025       | 735,585       |
| 2026       | 819,483       |
| 2027       | 867,832       |
| Thereafter | 9,456,683     |
| Total      | \$ 13,245,122 |

Rent expense totaled \$970,954 for the year ended September 30, 2022.

***Finance Lease under Topic 842***

The Institute is obligated under a non-cancelable finance lease for certain office equipment through July 2025. ASU 2016-02, *Leases (Topic 842)* was adopted effective October 1, 2022. The finance right-of-use asset totaled \$20,116 as of September 30, 2023, and is included in prepaid expenses and other assets on the statements of financial position. Amortization on the finance right-of-use asset totaled \$2,540 and is included in depreciation and amortization expense on the statement of functional expenses for the year ended September 30, 2022. The accumulated amortization on the finance right-of-use asset was \$21,592 as of September 30, 2023. Interest expense on the finance lease liability totaled \$1,237 for the year ended September 30, 2023.

Maturity of the finance lease liability as of September 30, 2023, is as follows:

For the Years Ending September 30,

|   |           |
|---|-----------|
| 2024                                      | \$ 13,608 |
| 2025                                      | 7,038     |
| Total Undiscounted Minimum Lease Payments | 20,646    |
| Less Discount to Present Value            | (593)     |
| Total Finance Lease Liability             | \$ 20,053 |

The supplementary qualitative finance lease information is as follows:

Supplementary Qualitative Finance Lease Information

Amounts Included in the Measurement of Finance Lease

|                                       |            |
|---------------------------------------|------------|
| Liabilities - Operating Cash Flows    |            |
| Interest Paid                         | \$ 1,168   |
| Principal Paid                        | 20,888     |
| Weighted-Average Remaining Lease Term | 1.54 Years |
| Weighted-Average Discount Rate        | 4.21%      |

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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**11. BENEFIT PLANS**

*Pension Plan*

The Institute had a money purchase 401(a) pension plan (the Plan) covering all its full-term employees. Employees hired after January 2, 2006, became eligible for pension benefits on their date of hire. Prior to this date, employees required one year of employment to be eligible. Contributions of 8% of eligible compensation were made under employer discretion. Plan management elected to terminate and liquidate the Plan in 2022. Pension contributions paid during fiscal year ended September 30, 2022, for the plan year ended December 31, 2021, was \$470,419, this payment was offset by \$123,547 of forfeitures totaling \$593,966 in plan payments. There was no remaining balance held in the Plan as of September 30, 2022.

*401k Retirement Plan*

Effective January 1, 2022, The Institute has contracted with a third party to serve as Plan Sponsor for a Safe Harbor 401k Retirement Plan (the Plan) covering eligible employees at least 18 years of age. Participation in the Plan by employees is voluntary and all contributions are vested 100% immediately. The Safe Harbor matching contribution will be 100% of a participant's eligible elective deferrals for the plan year up to 4% of a participant's compensation for the plan year. Additionally, at the plan management's discretion, an additional 4% profit sharing employer contribution may be made.

Total matching contributions made to the Plan for the year ended September 30, 2023, was \$338,433. For the year ended September 30, 2022, nine months of matching contributions from the Plan's inception totaled \$187,156.

Total discretionary profit-sharing contributions made to the plan year ended December 31, 2022, which were paid during fiscal year ended September 30, 2023, totaled \$345,549. Discretionary profit-sharing contributions for the plan year ended December 31, 2023, will be determined at a future date.

**12. RISKS AND UNCERTAINTIES**

The Institute maintains its cash balances at major money center financial institutions. Balances fluctuate during the year and may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Institute has not experienced any losses in such accounts and management does not anticipate nonperformance by the financial institutions.

The Institute invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Institute's statements of financial position.

The Institute has 36% and 52% of its assets invested in hedge funds and limited partnerships investments as of September 30, 2023 and 2022, respectively. As described further in Note 5, these investments are presented at fair value based upon net asset value (NAV) as provided by the hedge funds and general partners or trustees of the limited partnerships.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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**12. RISKS AND UNCERTAINTIES (CONTINUED)**

These values include investments that have been estimated using inputs that are unobservable for the investments. Such estimated values may not necessarily represent amounts that will be ultimately realized in the near term through distribution, sale, or liquidation of the investments.

As of September 30, 2023, approximately 77% of unconditional promises to give were due from two donors. As of September 30, 2022, approximately 90% of unconditional promises to give were due from three donors.

**13. INCOME TAXES**

The Institute has been determined by the IRS to be exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the IRC) and has been classified as a publicly supported organization as described in Section 509(a)(1) of the IRC. Accordingly, contributions to the Institute entitle donors to the maximum charitable contribution deduction allowed under the IRC.

The Institute follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standard Codification Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Institute performed an evaluation of uncertain tax positions for the years ended September 30, 2023 and 2022, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status.

The Institute files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service (IRS). As of September 30, 2023, the Institute's Form 990s for the years 2020 through 2023 remain eligible for examination by the IRS. It is the Institute's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense. As of September 30, 2023 and 2022, the Institute had no accruals for interest and/or penalties.

**14. COMMITMENTS**

*Line of Credit*

During June 2013, the Institute entered into a line of credit with a bank in the amount of \$1,500,000. The interest rate to be applied to the unpaid principal balance of this note will be at a rate of 2.507 percentage points over the LIBOR rate. During April 2018, the line of credit was increased to \$2,000,000. The interest rate to be applied to the unpaid principal balance on the basis of actual number of days elapsed in a year of 360 days at the Adjusted SOFR rate (Note rate) and at the rate of 3% per annum above the Note rate, at the bank's option, upon the occurrence of any default under the note, whether or not the bank elects to accelerate the maturity of the note, from the date such increased rate is imposed by the bank. The line is collateralized by the assets of the Institute.

As of September 30, 2023, and through the date of this report, the Institute has not drawn against this line of credit.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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**15. SUBSEQUENT EVENTS**

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through April 29, 2024, the date the financial statements were available to be issued. There were no subsequent events that required recognition of, or disclosure in, the financial statements.